

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

SB 258 – HB 386

April 27, 2009

SUMMARY OF AMENDMENTS (006659, 006931): Deletes all language after the enacting clause. Amendment 006659, effective January 1, 2010, requires the Commissioner of the Department of Agriculture to license and regulate commercial breeders of dogs and cats. Defines “commercial breeders” as any person who possesses or maintains 20 or more unsterilized adult female dogs or cats for the purpose of sale of their offspring. For each companion animal sold or advertised while the breeder is unlicensed or has a suspended or revoked license, or for each deceptive statement or material omission taken by a commercial breeder, the breeder is subject to a remedial civil penalty for each violation not to exceed \$1,000. Requires the applicant to be free of any criminal offense involving animals for the 10 years immediately preceding their application. Establishes license and renewal fees. Authorizes the Commissioner to require commercial breeders to keep specific records of sales and provide an annual report to the Department. Amendment 006931 prohibits the Commissioner from notifying the applicable law enforcement agencies if inspections reveal cruelty to animals.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$321,200/FY09-10
\$638,000/FY10-11
\$1,061,800/FY11-12 and Subsequent Years
Increase State Expenditures - \$16,000/One-Time
\$6,858,500/FY09-10
\$3,652,200/FY10-11
\$2,050,500/FY11-12 and Subsequent
Years
Increase Local Revenue - \$81,000/FY09-10
\$162,000/FY10-11
\$270,000/FY11-12 and Subsequent Years
Increase Local Expenditures – Exceeds \$100,000/Permissive

SB 258 – HB 386

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

**Increase State Revenue - \$321,200/FY09-10
\$638,000/FY10-11
\$1,061,800/FY11-12 and Subsequent
Years**

**Increase State Expenditures - \$16,000/One-Time
\$446,000/FY09-10
\$446,000/FY10-11
\$447,400/FY11-12 and
Subsequent Years**

**Increase Local Revenue – \$81,000/FY09-10
\$162,000/FY10-11
\$270,000/FY11-12 and Subsequent
Years**

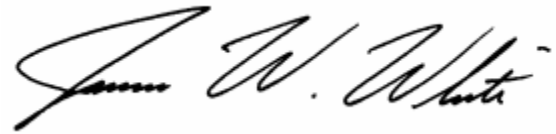
Assumptions applied to amendments:

- An estimated 500 commercial dog breeders across the state.
- Registration of 30 percent (150) of the commercial dog breeders in year one (FY09-10), an additional 30 percent (150) in year two (FY10-11), and the remaining 40 percent (200) in year three (FY11-12).
- Registration fees for commercial dog breeders possessing or maintaining 20-40 adult companion animals will equal \$500. Eighty percent of each year's registrants will fall into this category. Annual renewal fees remain the same as initial registration fees.
- Registration fees for commercial dog breeders possessing or maintaining over 41 adult companion animals will equal \$1,000. Twenty percent of each year's registrants will fall into this category. Annual renewal fees remain the same as initial registration fees.
- In order to ensure that a licensed commercial dog breeder has not been convicted of any criminal offense involving animals, a Tennessee Bureau of Investigation (TBI) background check will be conducted on each initial applicant for licensure. Each background check will cost \$29. This fee will be collected by the Department of Agriculture and paid to TBI.
- The Department of Revenue, based on the assumptions provided, projects an increase of taxable sales for commercial dog breeders of approximately \$10.8 million per year.
- Taxable sales of commercial dog breeders remain constant in subsequent years.
- The state sales tax rate is currently seven percent; the average local option sales tax rate is estimated to be 2.5 percent.
- For FY09-10, the increase in state revenue is estimated to be \$321,150 [\$90,000 from collected fees (150 registrants x 80.0% x \$500 + 150

- registrants x 20.0% x \$1,000) + \$4,350 background check fees (\$29 x 150) + \$226,800 from state sales tax (\$10.8 million x 30.0% (150) registered dog breeders x 7.0% tax rate)].
- For FY10-11, the increase in state revenue is estimated to be \$637,950 [\$180,000 from collected initial and renewal fees (300 registrants x 80.0% x \$500 + 300 registrants x 20.0% x \$1,000) + \$4,350 background check fees (\$29 x 150 new registrants) + \$453,600 state sales tax (\$10.8 million x 60.0% (300) registered dog breeders x 7.0% tax rate)].
 - For FY11-12, the increase in state revenue is estimated to be \$1,061,800 [\$300,000 from collected initial and renewal fees (500 registrants x 80.0% x \$500 + 500 registrants x 20.0% x \$1,000) + \$5,800 background check fees (\$29 x 200 new registrants) + \$756,000 taxes (\$10.8 million x 100% (500) registered breeders x 7.0% tax rate)].
 - The Department of Agriculture will need additional personnel to set up a regulatory section within the Department. The personnel will consist of two staff veterinarians [one state coordinator at \$78,440 (\$58,537 salary + \$19,903 benefits), one area supervisor at \$73,695 (\$54,996 salary + \$18,699 benefits)], five animal health techs at \$175,290 (\$26,364 salary + \$8,694 benefits x 5), and one administrative assistant at \$31,227 (\$23,304 salary + \$7,923 benefits).
 - The one-time state expenditures are estimated to equal \$16,000 (\$2,000 per computer x 8 computers).
 - The recurring state expenditures are estimated to be \$441,620 per year (\$268,657 salaries + \$89,995 benefits + \$58,968 travel + \$8,000 supplies + \$8,000 communications + \$8,000 Finance and Administration billing charges).
 - For FY09-10, the increase in state expenditures for background checks is estimated to equal \$4,350 (150 registrants x \$29).
 - For FY10-11, the increase in state expenditures for background checks is estimated to equal \$4,350 (150 registrants x \$29).
 - For FY11-12 and subsequent years, the increase in state expenditures for background checks is estimated to equal \$5,800 (200 registrants x \$29).
 - For FY09-10, the increase in local government revenue is estimated to be \$81,000 (\$10.8 million x 30.0% (150) registered dog breeders x 2.5% tax rate).
 - For FY10-11, the increase in local government revenue is estimated to be \$162,000 (\$10.8 million x 60.0% (300) registered dog breeders x 2.5% tax rate).
 - For FY11-12, the increase in local government revenue is estimated to be \$270,000 (\$10.8 million x 100% (500) registered breeders x 2.5% tax rate).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

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